

VZCZCXYZ0003
OO RUEHWEB

DE RUEHKT #1338/01 1460909
ZNY CCCCC ZZH
O 260909Z MAY 06
FM AMEMBASSY KATHMANDU
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1596
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 4394
RUEHLM/AMEMBASSY COLOMBO PRIORITY 4651
RUEHKA/AMEMBASSY DHAKA PRIORITY 9755
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2635
RUEHLO/AMEMBASSY LONDON PRIORITY 4047
RUEHML/AMEMBASSY MANILA PRIORITY 1691
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 9782
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1796
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

C O N F I D E N T I A L KATHMANDU 001338

SIPDIS

SIPDIS

DEPT FOR SCA/INS, AID
MANILA FOR PSPELTZ

E.O. 12958: DECL: 05/26/2016
TAGS: [PREL](#) [PGOV](#) [ECON](#) [EAID](#) [EINV](#) [PTER](#) [NP](#)
SUBJECT: FINANCE MINISTER APPRECIATES U.S. EFFORTS TO
PROVIDE DEVELOPMENT ASSISTANCE

REF: A. KATHMANDU 1283

[1](#)B. KATHMANDU 1299

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

SUMMARY

[1](#)1. (C) On May 24, the Ambassador, USAID Country Director Don Clark, and three representatives of USAID's Office of Transition Initiatives (OTI) met with Finance Minister Ram Sharan Mahat and Finance Secretary Bhoj Raj Ghimire to convey the USG's interest in supporting development work and Government of Nepal (GON) priorities. Mahat stressed the GON's main priorities were to start development projects that would deliver services to the people and to get cash for budgetary support (ref A). Mahat acknowledged that Maoists would likely try to extort development projects, but insisted the new code of conduct to be negotiated with the Maoists would ensure development work could be done safely nationwide. He said he had been unsuccessful in trying to convince the Home Minister to issue a strong statement condemning the recent spate of Maoist extortion and threats against the business community (ref B). Mahat expressed interest in having Kul Chandra Gautam, the ethnic Nepali Deputy Executive Director of the United Nations Children's Fund (UNICEF), be involved in the peace process. Mahat appeared interested in OTI's suggestion of having a GON media coordinator. End Summary.

FINANCE MINISTER OUTLINES NEEDS, APPRECIATES USG EFFORTS

[1](#)2. (C) During a May 24 meeting at the Finance Ministry, the Ambassador acknowledged that some donors wanted more progress on peace talks with Maoists before making assistance commitments. The USG's position, however, was that the GON would be unable to conduct successful peace talks without timely assistance and that it was important to show support now to the new GON. Mahat agreed with the Ambassador that the GON needed to deliver services to the people immediately,

noting the inability to do so could delay the peace process and/or cause Nepalis to lose patience with the new government. Mahat requested budgetary support for the fiscal year ending July 15. He said the GON could not meet its normal expenditures and would have to go for deficit financing without budgetary support. The Finance Minister said he would appreciate knowing the USG's decisions on development and budgetary support before Nepal's next annual budget was released in early July.

FOCUS ON RURAL AREAS

13. (C) The OTI representatives suggested that GON civil servants and politicians needed to visit development projects in rural areas so that people could see the new government associated with assistance. The Finance Minister explained to the OTI representatives that there were no political problems to hinder donors wanting to start development projects in rural areas. He agreed that having GON officials make field visits was a good idea. Mahat said development work could go side-by-side with the peace process. Mahat stressed that he wanted to re-start the delivery of government services such as road improvements, reopening schools, water supply and irrigation to the villages. He added that a rural development scheme was needed to create jobs, pump in capital, and increase people's purchasing power. Mahat mentioned that he had recently talked with the World Bank about funding a rural development scheme.

HOME MINISTER YET TO CONDEMN MAOIST EXTORTION AND THREATS

14. (C) The Ambassador expressed concern about Nepal's economy in light of the fact that the GON had yet to condemn the rise

in Maoist extortion and threats to those involved in industrial and commercial activities. He asked whether the GON would issue a statement saying that Maoist violence and extortion were inexcusable and the full resources of the state would be used to deter any continued extortion or violence. Mahat noted that he had been publicly and repeatedly condemning Maoist violence and extortion. Home Minister Krishna Sitaula (who is also the GON lead for talks with the Maoists) needed to issue orders to the police to crack down on the Maoists, Mahat maintained. To date, however, Sitaula had failed to do so. Mahat also indicated a willingness to provide food to the Maoists if they agreed to stop extortion.

MONITORING ENFORCEMENT OF CODE OF CONDUCT IMPORTANT GIVEN MAOIST INTERFERENCE

15. (C) Mahat acknowledged that the Maoists would probably try to extort those doing development work, but noted that he was insisting that development activities be allowed nationwide in the cease-fire code of conduct being negotiated with the Maoists. Finance Secretary Ghimire pointed out that people at the community level had often been successful in deterring Maoists from interfering with development work. AID Director Clark stressed that the code of conduct should include a mechanism to deal with those who interfered with development work. Mahat suggested the UN Office of the High Commissioner for Human Rights (OHCHR) or another large international organization could monitor the enforcement of the code of conduct.

GON PREFERS UN INVOLVEMENT IN PEACE PROCESS

16. (C) Mahat explained that the GON would prefer United Nations (UN) experts to sit in the Peace Secretariat and provide advice and assistance on the peace process, and suggested that, with such UN assistance, the role of the Peace Secretariat could expand. The Ambassador replied that India had no objection to advisors for the Peace Secretariat but believed that Nepalis needed to be at the forefront; the

Indians also did not want any foreigners to serve as witnesses of the negotiations between the Maoists and government. Mahat suggested that a UN official who was Nepali could allay Indian concerns and serve as a witness to the talks. Mahat said the GON would approve the involvement of Kul Chandra Gautam, the ethnic Nepali who is Deputy Executive Director of UNICEF, in the talks as a witness. The Ambassador noted that India would have to approve Gautam's involvement.

ASSISTANCE TO DEVELOP COORDINATED GON MEDIA MESSAGES

17. (C) The Ambassador suggested that the GON needed to articulate to the public a cohesive vision for peace and development before negotiations with the Maoists began. He said that, if the GON failed to deliver the vision due to complications with the Maoists, Nepalis could clearly see that the Maoists, not the GON, were to blame for the failure.

The OTI delegates noted that a GON media coordinator to plan and develop a unified voice of the government would be useful for the GON to win over the Nepali people. Mahat agreed that a media plan could be effective in establishing an association between the GON and development work benefiting the people. Mahat said that a media coordinator would have to work out of the Ministry of Communication.

COMMENT

18. (C) Mahat seemed impressed and appreciative that we already had an OTI team here actively considering our assistance to Nepal. While Mahat acknowledged that the idea of a media coordinator sounded good, his tone indicated he

was doubtful that the Ministry of Communication would do this job effectively.

MORIARTY